

**KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION
APPLICATION FOR SURFACE PIT**

Form CDP-1
May 2010
Form must be Typed

Submit in Duplicate

Operator Name: Priority Oil & Gas LLC		License Number: 31609
Operator Address: PO Box 27798, Denver CO 80227-0798		
Contact Person: Melissa Gray		Phone Number: 303-296-3435
Lease Name & Well No.: Benkleman Compressor Station		Pit Location (QQQQ): NE NE NE
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input checked="" type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: 400 (bbls)	Sec. 29 Twp. 4 R. 41 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 100 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 200 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Cheyenne County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? The pit will not be lined.
Pit dimensions (all but working pits): 15 Length (feet) 15 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: 6 (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. No liner will be used		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. Daily visits to the location.
Distance to nearest water well within one-mile of pit: 263 feet Depth of water well 78 feet		Depth to shallowest fresh water 130 58 feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
Emergency, Settling and Burn Pits ONLY: Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: Compressed air (workover) Number of working pits to be utilized: 1 Abandonment procedure: Fluid will be evaporated out of the pit; when solids are dry the solids will be buried in place. Drill pits must be closed within 365 days of spud date.
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.		RECEIVED JUN 27 2011 KCC WICHITA
6/24/11 Date	<i>Melissa A. Gray</i> Signature of Applicant or Agent	

KCC OFFICE USE ONLY			
Date Received: 6-27-11	Permit Number: 15-023-20495	Permit Date: 7-5-11	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<input checked="" type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input checked="" type="checkbox"/> RFAC <input type="checkbox"/> RFAS	

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

Conservation Division
Finney State Office Building
130 S. Market, Rm. 2078
Wichita, KS 67202-3802



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Mark Sievers, Chairman
Ward Loyd, Commissioner
Thomas E. Wright, Commissioner

Sam Brownback, Governor

July 5, 2011

Priority Oil & Gas, LLC
PO Box 27798
Denver, CO 80227-0798

Re: Haul-off Pit Application
Benkleman Compressor Station
NE/4 Sec. 29-04S-41W
Cheyenne County, Kansas

Dear Sir or Madam:

District staff has reviewed the above referenced location and has determined the pit must be **lined and fluids removed**. A plastic liner with the minimum thickness of **6 mil** is to be used. Integrity of the liner must be maintained at all times.

The fluids must be removed from the pit after completion of haul-off operations. The fluids should be taken to an authorized disposal well. Please call the District Office at (785) 625-0550 when the fluids have been removed. Please file form CDP-5 (April 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: www.kcc.state.ks.us/conservation/forms.


If you have any questions or concerns please feel free to contact the undersigned at the above address.

Sincerely,

Kathy Haynes
Department of Environmental Protection and Remediation

Cc: district

CORPORATION DEED - Quitclaim

<u>DEED - QUITCLAIM</u>	
FROM	
K N Gas Gathering, Inc.	
TO	
Priority Oil & Gas LLC	
Entered in Transfer Record in my office this <u>28th</u> day of <u>June</u> , <u>2001</u> , A.D.	
<u>[Signature]</u> County Clerk	
STATE OF KANSAS)) ss
<u>Cheyenne</u> County))
This instrument was filed for record on the <u>28th</u> day of <u>June</u> , <u>2001</u> , A.D. at <u>11:30</u> o'clock <u>A</u> . M., and duly recorded in Book <u>124</u> of Deeds, at Page <u>284-285</u>	
<u>[Signature]</u> Register of Deeds	
BY _____ Deputy	
FEES	
Register of Deeds for recording	\$ <u>8.00</u>
County Clerk for transfer	\$ _____
TOTAL	\$ _____
<u>Re: Kinder Morgan, Lakewood, Co</u>	

THIS INDENTURE, Made this 4th day of April, 2001, to be effective April 1, 2001 (the "Effective Date") between K N Gas Gathering, Inc., a Colorado corporation, a subsidiary of Kinder Morgan, Inc., f/k/a K N Energy, Inc., f/k/a Kansas-Nebraska Natural Gas Company, Inc., a Kansas corporation, with its principal office at 370 Van Gordon Street, Lakewood, Colorado 80228-8304 (hereinafter "Grantor"), and unto Priority Oil & Gas LLC, with offices at 633 17th St., Suite 1520, Denver, CO 80202 (hereinafter the "Grantee").

WITNESSETH,

that Grantor, in consideration of the sum of One and No/100 Dollars (\$1.00), the receipt and adequacy of which are hereby acknowledged, does by these presents remise, release and quitclaim unto Grantee, its heirs, successors and assigns, all of the following-described real estate situated in Cheyenne County, Kansas, together with the appurtenances and all of the estate, right, title, interest and claim of said Grantor therein subject to the terms and conditions herein contained,

to-wit:

✓ Tract 1: Township 4 South, Range 40 West, 6th P.M.

(No Name) Section 17: Part of the Northwest Quarter (pt. NW/4), being more fully described as follows:

Beginning at the Northwest Corner of said section; thence East along the North Line of said section, a distance of 435 feet; thence South parallel to the West Line of said section, a distance of 400 feet; thence West, parallel to the North Line of said section a distance of 435 feet; thence North along and on the West Line of said section, a distance of 400 feet to the original place of beginning, containing 3.99 acres, more or less.

✓ Tract 2: Township 4 South, Range 41 West, 6th P.M.

(Benkleman) Section 29: Part of the Northeast Quarter (pt. NE/4), being more fully described as follows:

Beginning at a point 33 feet West of the Northeast Corner of said Section 29; thence West, parallel to the North Line of said property, a distance of 300 feet; thence South, parallel to the East Line, a distance of 400 feet; thence East, parallel to the North Line, a distance of 300 feet; thence North, a distance of 400 feet to the original point of beginning, containing 2.75 acres, more or less.

TO HAVE AND TO HOLD all and singular the above described premises unto Grantee, its heirs, successors and assigns, forever.

Grantor and Grantee agree: (a) as to any personal property conveyed or used in conjunction with the above described real estate that WITHOUT LIMITING THE OTHER EXPRESS PROVISIONS HEREOF, THE GRANTEE SPECIFICALLY AGREES THAT THE GRANTOR IS SELLING AND TRANSFERRING ANY SUCH PERSONAL PROPERTY "AS-IS," "WHERE-IS," "WITH ALL FAULTS," IN ITS PRESENT CONDITION AND STATE OF REPAIR WITHOUT REPRESENTATION OR WARRANTY CONCERNING SAID PERSONAL PROPERTY, EITHER EXPRESS OR IMPLIED, WHETHER ARISING IN CONTRACT, TORT OR ANY OTHER THEORY OF LAW, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY, COMPLIANCE OR FITNESS FOR A GENERAL OR PARTICULAR PURPOSE, STATE OF REPAIR, DESIGN OR CONSTRUCTION SPECIFICATIONS, QUALITY, CONDITION, OPERATION OR SAFE USE NOR DOES GRANTOR REPRESENT OR WARRANT, AND; (b) as to the above described real estate GRANTOR DOES HEREBY EXPRESSLY NEGATE AND DISCLAIM ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED AS TO THE ADEQUACY OR COMPLETENESS OF THE UNDERLYING REAL PROPERTY INTERESTS ASSOCIATED WITH OR USED IN CONNECTION WITH THE PERSONAL PROPERTY, INCLUDING BUT NOT LIMITED TO FEE PROPERTIES, EASEMENTS AND RIGHTS-OF-WAY.

Grantee represents and warrants to Grantor that Grantee is sophisticated in the operation of the compression facilities and associated machinery operated by Grantor, and its predecessors in interest, on the above-described real estate. Grantee has physically inspected such equipment and is fully aware of its condition. In entering into and performing this agreement, Grantee has relied, and will rely, solely upon its independent investigation of, and judgment with respect to the above-described real estate's value, use and condition. Grantee shall assume sole responsibility and liability for any and all environmental risks and liabilities pertaining to the above-described real estate relating to contaminating events and the resulting environmental condition of the above-described real estate, whether caused by Grantor or any predecessor of Grantor, or by Grantee, or Grantee's affiliates, and whether for the period prior to or after the Effective Date, and

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JUN 27 2011

KCC WICHITA

Grantee shall forever defend, indemnify and hold harmless Grantor and its affiliates, its directors, officers and employees from any and all claims and liabilities arising out of or related to any and all environmental risks and liabilities pertaining to the above-described real estate relating to contaminating events and the resulting environmental condition of the above-described real estate, whether caused by Grantor or any predecessor in interest of Grantor, or by Grantee, or Grantee's affiliates, and whether for the period prior to or after the Effective Date. Grantee agrees to assume, perform and to discharge all obligations, covenants and liabilities with respect to the above-described real estate from and after the Effective Date and Grantee shall indemnify and hold harmless Grantor from any and all such responsibility.

IN WITNESS WHEREOF, said Grantor has caused this Deed to be signed on its behalf by its President, thereunto duly authorized so to do, and has caused its corporate seal to be hereunto affixed on the day and year first above written.

ATTEST

K N GAS GATHERING, INC

[Signature]

[Signature]

Name:
Assistant Secretary

Carter G. Mathies, President

ATTEST

PRIORITY OIL & GAS LLC

[Signature]

[Signature]

Name:
Assistant Secretary

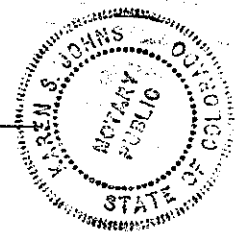
STATE OF Colorado
COUNTY OF Jefferson

On this 4th day of April, 2001, before me personally appeared Carter G. Mathies, as President of K N Gas Gathering, Inc., known to me to be the person who executed the foregoing instrument on behalf of K N Gas Gathering, Inc., and acknowledged to me that he executed the same in the capacity and for the consideration and purposes therein stated and as the free act and deed of K N Gas Gathering, Inc.

MY COMMISSION EXPIRES:

9-15-2001

[Signature]
Notary Public



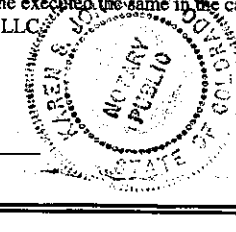
STATE OF Colorado
COUNTY OF Jefferson

On this 4th day of April, 2001, before me personally appeared Robbie Gries, as President of Priority Oil & Gas LLC, known to me to be the person who executed the foregoing instrument on behalf of Priority Oil & Gas LLC, and acknowledged to me that he executed the same in the capacity and for the consideration and purposes therein stated and as the free act and deed of Priority Oil & Gas LLC.

MY COMMISSION EXPIRES:

9-15-2001

[Signature]
Notary Public



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KCC WICHITA



ATTN: Kathy Hanes
KCC - Conservation Division
130 S. Market, Room 2078
Wichita, KS 37202

Re: CDP-1
Benkleman Compressor Station

Dear Ms. Hanes,

Enclosed you will find a Form CDP-1 (Application for Surface Pit), in duplicate, for the Benkleman Compressor Station. Priority Oil & Gas LLC (Priority) will be cleaning out fluid and sand (working over) several Niobrara gas wells in Cheyenne County mid to late July 2011.

The tubing units we will be using have a portable above-ground steel tank which we will use to capture the fluids and/or solids from the wellbores. The tank is not large enough, however to hold the fluid for all the wells we are cleaning out at once, so we are going to utilize a workover pit in Priority's Benkleman Compressor Station yard to accommodate the expected fluid and solids. When the cleanouts are complete, we will allow the fluid in the pit to evaporate, or if need be we can have it pumped out and hauled to a disposal well. The solids will be dried and buried in place. Priority will submit the appropriate forms at that time.

I am also enclosing a copy of the Quitclaim Deed between KN Gas Gathering Inc. and Priority Oil 7 gas LLC for the land where our Benkleman Compressor yard is located to show that Priority owns the land.

If there is anything else you need, or if you have any questions, please give me a call at the number below.

Sincerely,

A handwritten signature in cursive script that reads "Melissa A. Gray".

Melissa A. Gray
Business Director

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JUN 27 2011
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P.O. Box 27798
Denver, CO 80227-0798 USA
303.296.3435
fax 303.296.3436
Email PriorityOG@aol.com